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States vie over tax relief

Films reap benefits amid economic downturn

By [DAVE MCNARY](#)

Over the past two years, a growing number of states have been engaging in a game of one-upmanship by offering increasingly generous incentives to lure productions to shoot on their home turf.

But that frenzy may be cooling as the souring economy pressures state budgets. Requirements have been tightened in Louisiana and Rhode Island, and fiscal watchdogs in Michigan and Massachusetts are wondering if such givebacks actually brings the promised benefits, and calling for ceilings on such incentives.

"Incentives are the most powerful driver on the decision of the location of film shoot," notes Robin James, president of the Assn. of Film Commissioners Intl., "With everyone facing budget problems, my view is that it's unlikely they'll be cut, but they will be capped."

With a weakened dollar diminishing the attractiveness of going overseas, state programs had been enjoying an unprecedented level of support. Massachusetts, for example, is giving back \$60 million a year via a 25% tax credit -- five times higher than what's offered to developers in blighted areas and eight times higher than the usual investment credit.

Additionally, the Massachusetts Budget and Policy Center released a study this spring debunking the notion that film spending is a vehicle for creating an outsized number of jobs: "There are also some jobs in industries that service film crews, like catering, but even counting any multiplier effect, the total number of jobs likely to be created in connection with motion picture production is likely to remain a small share of total employment in Massachusetts."

Opponents of incentives received some serious ammunition recently when the New York Times reported that Louisiana had paid \$27 million in tax credits to Paramount and Warner Bros. for shooting "The Curious Case of Benjamin Button" in the state -- the state's largest such incentive payment.

Even amid the crisis, some type of incentive is now available in 40 states with new programs emerging from Alaska, Georgia, Iowa, Mississippi and Wisconsin. Efforts to create incentives in California have failed repeatedly despite backing from Gov. Arnold Schwarzenegger.

During the 1990s and early this decade, Florida, New York and North Carolina were among the first to make serious efforts at countering attractive Canadian incentives. New Mexico and Louisiana are often cited as the best examples of states that used the incentives to create an infrastructure.

Despite seeing one Louisiana state film official go to jail, credits for spending in the state are still available. The program's so attractive that Nu Image/Millennium's shot eight films in the state within the past two years and is building a 20-acre studio in Shreveport.

"On paper, Michigan has the best program, but Louisiana works best for us," says Nu Image CFO Trevor Short. Michigan's is rich, but I couldn't understand the economics of it. Louisiana has a big tax base with oil and shipping, and a large part of the population that's under-employed."

Michigan's now attempting to go the same route, with an eye-popping 42% tax credit that went into effect this year.

The state asserts it's already attracted 60 projects -- including Clint Eastwood's "Gran Torino" -- but serious grumbling has emerged in

the state capitol, where a bill's been introduced to cap annual expenditures at \$50 million. Republican State Senator Nancy Cassis cites a nonpartisan state agency study that contends the credit will bring \$17 million into Michigan through income and sales but cut business tax revenues by \$127 million.

"The film credit does not pay for itself," she asserted in a recent op-ed.

The us-vs.-Hollywood rhetoric is nothing new, according to Stephen Katz, who wrote several studies about runaway production through the Center for Entertainment Industry Data and Research.

"Incentives are always going to be attacked because it's a juicy issue," Katz notes. "What usually happens is they get taken to the precipice and then they back off because they realize that if you eliminated incentives in every state but one, that's where all the films would shoot."

Ron VerKuijen, who departed five years ago as chief of the Illinois Film Office, agrees with Katz.

"The opposition to film incentives is usually from the opposition party and they usually have an anti-film industry attitude," he adds.

"They simply don't want to give corporate welfare to the film studios. It's very easy to throw spears at the film business and make them seem like a bad guy."

VerKuijen believes that the dollars generated by rebate-type incentives far outstrips the cost to the taxpayers but notes that the notion's vulnerable to attack because the number of people getting help is relatively small.

"If you give it enough time, you start to see the spinoffs in things like graphic design shops but that takes six, eight, 10 years. So incentives have to be financially do-able and politically tolerable."

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